

**BEFORE THE TENNESSEE STATE BOARD OF EQUALIZATION**

IN RE:           SCA Dalton, Inc./Healthsouth Corp.                 )  
                  Parcel ID #095IH-00102                                 ) Knox County  
                  Commercial Property                                     )  
                  Tax Year 2005   )

**INITIAL DECISION AND ORDER**

**Statement of the Case**

The subject property is presently valued as follows:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$236,900	\$1,563,000	\$1,799,900	\$719,960

An appeal has been filed on behalf of the property owner with the State Board of Equalization. The undersigned administrative judge conducted a hearing in this matter on February 1, 2006 in Knoxville, Tennessee. In attendance at the hearing were registered agent Cameron Moore and Knox County Property Assessor’s representatives Ralph E. Watson and Jim Beck.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Subject property consists of an owner-occupied diagnostic center located at 601 Hall of Fame Drive in Knoxville, Tennessee. Subject center was constructed in 1984.

The taxpayer contended that subject property should be valued at a maximum of \$1,164,400. In support of this position, the cost and income approaches were introduced into evidence. Mr. Moore maintained that the cost and income approaches support value indications of \$1,038,174 and \$1,164,384 respectively.<sup>1</sup>

The assessor contended that subject property should be valued at \$1,799,900. In support of this position, the cost approach as summarized by the property record card was introduced into evidence.

The basis of valuation as stated in Tennessee Code Annotated Section 67-5-601(a) is that "[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values . . ."

General appraisal principles require that the market, cost and income approaches to value be used whenever possible. Appraisal Institute, *The Appraisal of Real Estate* at 50 and 62. (12th ed. 2001). However, certain approaches to value may be more meaningful

<sup>1</sup> The attachments to the appeal form also include listings of three properties for sale in Knoxville and Nashville. For the reasons stated in the initial decision and order contemporaneously issued in *Knoxville Ambulatory Surgery Center* (Knox Co., Tax Year 2005), the administrative judge finds the listings have no probative value.

than others with respect to a specific type of property and such is noted in the correlation of value indicators to determine the final value estimate. The value indicators must be judged in three categories: (1) the amount and reliability of the data collected in each approach; (2) the inherent strengths and weaknesses of each approach; and (3) the relevance of each approach to the subject of the appraisal. *Id.* at 597-603.

The value to be determined in the present case is market value. A generally accepted definition of market value for ad valorem tax purposes is that it is the most probable price expressed in terms of money that a property would bring if exposed for sale in the open market in an arm's length transaction between a willing seller and a willing buyer, both of whom are knowledgeable concerning all the uses to which it is adapted and for which it is capable of being used. *Id.* at 21-22.

After having reviewed all the evidence in the case, the administrative judge finds that the subject property should be valued at \$1,164,400 as contended by the taxpayer.

The administrative judge finds that the taxpayer's contended value of \$1,164,400 should be adopted insofar as it constitutes the upper limit of value. The administrative judge would normally reject the taxpayer's income approach for the reasons a virtually identical income approach was rejected in the companion appeal styled as *Knoxville Ambulatory Surgery Center* (Knox Co., Tax Year 2005). In this case, however, the cost approach seemingly supports an even lower value.

With respect to the cost approach, the primary difference between the parties concerned reproduction/replacement cost. The administrative judge finds that the taxpayer's assumed replacement cost of \$1,248,049 was substantiated via Marshall & Swift. Respectfully, the administrative judge finds that the assessor introduced no evidence to explain the basis for the assumed reproduction cost of \$1,856,753 indicated on the property record card.

The administrative judge finds that the parties also differed with respect to depreciation. Given the fact subject property was constructed in 1984, the taxpayer's assumed depreciation of 32% via Marshall & Swift appears reasonable. Absent additional evidence from the assessor, the administrative judge finds that the 16% accrued depreciation indicated on the property record card appears unduly conservative.

The administrative judge finds that the assessor's current land appraisal of \$236,900 must be considered unrefuted. The administrative judge finds that the taxpayer introduced no evidence to substantiate its assumed land value of \$189,500.

Based upon the foregoing, the administrative judge finds that the cost approach indicates a value of only \$1,085,574. The administrative judge finds that the taxpayer's

contended value of \$1,164,400 is actually 7% higher than the value indicated by the cost approach.

ORDER

It is therefore ORDERED that the following value and assessment be adopted for tax year 2005:

<u>LAND VALUE</u>	<u>IMPROVEMENT VALUE</u>	<u>TOTAL VALUE</u>	<u>ASSESSMENT</u>
\$236,900	\$927,500	\$1,164,400	\$465,760

It is FURTHER ORDERED that any applicable hearing costs be assessed pursuant to Tenn. Code Ann. § 67-5-1501(d) and State Board of Equalization Rule 0600-1-.17.

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review; or
3. A party may petition for a stay of effectiveness of this decision and order pursuant to Tenn. Code Ann. § 4-5-316 within seven (7) days of the entry of the order.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 10th day of February, 2006.

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MARK J. MINSKY  
ADMINISTRATIVE JUDGE  
TENNESSEE DEPARTMENT OF STATE  
ADMINISTRATIVE PROCEDURES DIVISION

c: Mr. Cameron Moore  
John R. Whitehead, Assessor of Property